

REPORT TO THE CITY COUNCIL

City of Salinas, California

Agenda Item Number
CR-11

DATE: June 8, 2004

FROM: John K. Fair, Public Works Director

BY: Jim Garcia, Public Works Administrative Supervisor

SUBJECT: **SETTING PUBLIC HEARING DATES FOR
LEVYING ANNUAL ASSESSMENTS FOR:**

1. **AIRPORT BUSINESS CENTER LANDSCAPE
MAINTENANCE DISTRICT**
2. **NORTH/EAST AREA MAINTENANCE DISTRICT**
3. **HARDEN RANCH MAINTENANCE DISTRICT**
4. **DOWNTOWN MALL MAINTENANCE DISTRICT**
5. **VISTA NUEVA MAINTENANCE DISTRICT**
6. **MIRA MONTE MAINTENANCE DISTRICT**

1. _____
Department Director Approval
2. _____
Finance Review
3. _____
Attorney Review
4. _____
City Manager Approval

BACKGROUND

There are six landscape maintenance districts within the City of Salinas that were created under the Landscaping and Lighting Act of 1972 and Article II, Chapter 21C of the Salinas City Code. These statutes allow the City to assess parcels within a district to generate funds for installing, maintaining, and servicing public lighting, landscaping, and related improvements. The City annually reassesses the properties within the above listed districts. Prior to doing so, an Engineer's Report must be prepared and filed and a public hearing held before annual assessments can be levied.

Proposition 218 also requires ballots be mailed to all property owners within a new district proposed to be formed or within an existing district where annual assessments with no inflationary factor are proposed to be increased. The results of the ballots are made known at a public hearing before the City Council. Based on the results of the ballots received, a proposed new district or the proposed increase in the annual assessment for an existing district is approved or rejected.

In the case of existing assessment districts, including maintenance districts, ballots are not required where the method of calculating assessments has not been changed or annual assessments to be levied for the coming year are no greater than the previous year. Since staff is not recommending any changes to formulae or proposing any increase in assessments in any of the six existing maintenance districts in Salinas, the mailing of ballots is not required. Furthermore, pursuant to current assessment proceedings, no direct notices are required either. However, public notices of the public hearings are still required and shall be published in *The Salinas Californian*, as required by law, upon Council's approval of the proposed scheduled public hearings.

A few years ago the City attempted to increase the assessments within the Airport Business Park, the North/East Area, the Harden Ranch, and the Downtown Mall Maintenance Districts. The City was successful in two of the four districts, to wit, North/East and Downtown Mall. The assessments within the Harden Ranch and the Airport Business Center Maintenance Districts remained the same. Included in the increased assessments for the North/East Area and Downtown Mall was a change in the formulae that provided for an inflationary factor.

The inflationary factor allows for annual increases in the assessments without the need for issuing ballots each year. The inflationary factor for these districts is tied to the Engineer's News-Record (ENR) cost index. The ENR cost index for maintenance work (i.e. common labor and materials) did not increase this past year. Therefore, there will only be an increase in assessments for the Vista Nueva Maintenance District.

The formula for the Vista Nueva Maintenance District includes an inflationary factor. The inflationary factor for this district is a flat \$12.00 increase per year to a maximum total assessment of \$600.00 per year. This factor was originally incorporated in the assessment formula when the district was first created. Therefore, the assessments within this district have been increased accordingly. However, due to a substantial reserve balance, it is recommended that each property owner be given a \$1,000 rebate this coming fiscal year.

As the formulae in the other two districts, Harden Ranch and the Airport Business Center Maintenance Districts, do not include an inflationary factor, the assessments within those districts will remain the same.

The City has also eliminated its contribution to the Downtown Mall Maintenance District. As a result, the assessments within that district will be decreased down to zero for each parcel. The reason is because the methodology to calculate the assessments included a two-thirds/one-third cost distribution between the City and the property owners. The agreement between the property owners and the City is that the City shall contribute two dollars for every one-dollar assessed to the property owners. Consequently, if the City does not contribute to the district, neither do the property owners. The end result is that this district only has enough money in its reserve fund balance to survive one more fiscal year. At the May 2004 board meeting of the Oldtown Salinas Association, this issue was discussed and staff informed them of the forthcoming consequences of no assessment levy. The board will be considering alternatives for next year. One alternative is that the property owners would petition the City to change the formula again to require the property owners to pick-up all of the maintenance cost.

Below is a summary of the assessment rates:

<u>DISTRICT</u>	<u>F.Y. 2003/2004</u>	<u>F.Y. 2004/2005</u>
Airport Bus. Cntr.	\$779.73 per acre	No Change
North/East Area	\$117.06 per Low Density SFU	No Change
or	\$ 70.24 per Medium Density SFU	No Change
or	\$ 46.82 per High Density SFU	No Change
Harden Ranch	\$ 66.72 per SFU	No Change
or	\$353.66 per acre	No Change
Downtown Mall	\$ 3.72 per linear feet of frontage	\$ 0.00
Vista Nueva	\$532.00 per parcel	\$544.00 per parcel
Mira Monte	\$450.12 per parcel	No Change

As in previous years, the City will continue to assess each parcel a \$10.00 collection fee in addition to the aforementioned assessments. Governmental agencies owning property within the North/East and Downtown Mall Maintenance Districts will also be assessed their proportional share of the maintenance cost. Since both the Airport Business Center and the Harden Ranch Maintenance Districts have rejected any increase and change

in the formulae that would allow the City to levy assessments on governmentally owned properties, governmental agencies owning property within these districts are still exempt from assessments. This is based on pre-Proposition 218 lighting and landscape proceedings. Until such time as the property owners within these two districts approve a new formula that allows governmentally owned properties to be assessed along with the inclusion of an inflationary factor, governmental agencies will continue to be exempt from assessments. As Vista Nueva is a housing development, there is no governmentally owned property within that district.

FISCAL IMPACT

Adopting the proposed resolutions has no major fiscal impact to the General Fund as each district is entirely self-supporting with no subsidies from the General Fund, with the exception of the Downtown Mall Maintenance District.

Because maintenance costs have increased more than assessment revenues, even with districts that have an inflationary factor included in their formulae such as the North/East and the Downtown Mall Maintenance Districts, it is necessary to again consider asking the property owners to consider assessment increases. Staff continues to diligently seek out cost saving measures in order to maintain low maintenance costs; however, maintenance costs are increasing and eroding current reserve fund balances. To stay within budgets, staff has reduced maintenance levels in the North/East, Harden Ranch, the Airport Business Center, and now the Downtown Mall maintenance districts.

The City has a long-standing financial policy to maintain a reserve equal to 50% of maintenance costs. Since the passage of Proposition 218, it has been impossible to maintain this reserve level for each of the districts. At the end of the coming two-year budget cycle, the Downtown Mall Maintenance District will have a reserve balance of \$0.00; the Airport M.D. will have \$3,739; the North/East, \$40,363; and the Harden Ranch, \$8,964. Vista Nueva and the new Mira Monte Maintenance Districts have sufficient reserves at this time.

Below is additional information about the North/East and Harden Ranch maintenance districts:

North/East Assessment District

As stated before, five years ago the City held an election for the North/East Maintenance District to change the formula used in calculating the assessments, which passed by a small margin. The change included a 21.6% increase in the assessments and the inclusion of an inflationary factor so that future assessments could be increased without election based on the increases in the Engineers New Record (ENR) Maintenance Cost Index.

In the past five years increases in the ENR Index have been less than 2% on average. Unfortunately, the City's actual maintenance cost for the district has increased on average above 10% each fiscal year. To stay within the financial resources available, maintenance staff has made cost reductions where there would be minimal affect on the maintenance level, such as less pruning, watering, litter pick-up, etc.

The cost the City incurs within this district covers the maintenance of various shrubs, groundcovers, trees and turf, and the required supporting irrigation systems. Also, maintenance includes the repairs to damage caused by hit & run accidents and vandalism. Recently, the City has incurred some heavy expenses to replace masonry walls that have been damaged by hit and run vehicles. The average cost to repair or replace a masonry wall usually exceeds \$5,000.

Because of limited resources, the City is no longer replacing walls unless it is absolutely necessary. Currently there are several masonry walls that need maintenance in the form of graffiti removal or repair due to vehicular accidents. This district is also in need of approximately \$350,000.00 of repairs and replacement of dead or

missing plant material to bring the district up to an acceptable standard. This figure is a very rough estimate and not based on any inventory of damaged areas.

In a typical week, two to three complaints are received from residents of the district regarding the lack of maintenance, and dead or missing plant material. Because of inadequate funds very limited plant material replacement is possible. In addition, because of inadequate funds, sprinkler systems and controllers cannot be repaired, adding to the problem of dead plant material. As additional acreages of landscaped areas are accepted for maintenance and taken over from private developers and funds do not proportionately increase, it is not possible to contract for the services required. With the funds that are available, contracted services are not adequate for the proper maintenance of the district.

Harden Ranch Assessment District

The City also held an election five years ago for the Harden Ranch Maintenance District to change the formula as proposed in the North/East District. However, the property owners within this district voted against the change. As a result, the assessments were frozen at \$76.72 per residential unit.

This district maintains various shrubs, groundcovers, trees, and turf, and the supporting irrigation systems. In addition, there are several masonry walls, two playgrounds, and an exercise course that require repair and maintenance. Currently the district is in need of approximately \$100,000.00 of repairs and replacement of dead or missing plant material to bring the district up to an acceptable standard. Again, this figure is a very rough estimate and not based on any inventory of damaged areas.

In a typical week, one or two residents call with complaints regarding the lack of maintenance in the district or to report dead or missing plant material. Due to inadequate funds, it is not possible to replace dead or missing plant material or repair irrigation systems. Also due to inadequate funds, it is not possible to contract for the necessary services required to bring the district up to acceptable standards and then maintain the district at that level. This district has also recently grown in acreage when completed developments were accepted for maintenance without additional funds to support the required additional maintenance cost.

Below is a summary of previous years revenues and expenditures for each district:

North/East M.D.						Harden Ranch M.D.				
F.Y. Ending	<<< Revenue >>>					<<< Revenue >>>				
	Assessment Revenue	Interest Revenue	Total Revenue	Expenses	Exp / Rev.	Assessment Revenue	Interest Revenue	Total Revenue	Expenses	Exp / Rev.
Jun-97	\$311,270.89	\$7,440.40	\$318,711.29	\$336,842.18	108%	\$149,274.25	\$3,816.44	\$153,090.69	\$174,622.56	117%
Jun-98	\$296,422.69	\$5,854.89	\$302,277.58	\$316,977.70	107%	\$150,894.31	\$2,517.16	\$153,411.47	\$142,577.61	94%
%Dif. fr. prev. yr.	-5%			-6%		1%			-18%	
Jun-99	\$311,603.24	\$5,281.78	\$316,885.02	\$367,513.71	118%	\$148,434.17	\$3,086.44	\$151,520.61	\$145,697.42	98%
%Dif. fr. prev. yr.	5%			16%		-2%			2%	
Jun-00	\$392,701.18	\$2,866.90	\$395,568.08	\$413,162.46	105%	\$152,388.12	\$4,399.98	\$156,788.10	\$156,182.73	102%
%Dif. fr. prev. yr.	26%			12%		3%			7%	
Jun-01	\$415,043.83	\$1,823.87	\$416,867.70	\$460,397.28	111%	\$149,536.15	\$3,942.23	\$153,478.38	\$175,318.90	117%
%Dif. fr. prev. yr.	6%			11%		-2%			12%	
Jun-02	\$435,947.34	\$1,189.85	\$437,137.19	\$452,679.55	104%	\$148,774.93	\$2,102.04	\$150,876.97	\$175,030.48	118%
%Dif. fr. prev. yr.	5%			-2%		-1%			0%	
Jun-03	\$434,148.61	\$432.58	\$434,581.19	\$435,425.84	100%	\$141,756.40	\$491.14	\$142,247.54	\$161,425.49	114%
%Dif. fr. prev. yr.	0%			-4%		-5%			-8%	

Based on the financial history of the two districts, it is becoming more and more difficult to maintain the current

level of maintenance. Without an increase in the assessments, it will become more and more necessary to reduce maintenance in the coming years. The result will be that the landscaped areas will begin to look like the median islands in the Westridge area and eventually fall victim to an invasion of weeds similar to what has happen in the Airport Business Center Maintenance District.

To prevent this, staff recommends that the assessments in these districts be increased. However, Proposition 218 requires an election whenever assessments are to be increased or when an existing formula for calculating assessments is to be revised. Further, an election can be rather costly. Given that these districts cannot afford to spend money on an election that could possibly fail, staff would like to send out a survey or questionnaire to determine if the property owners are truly interested in such an election to maintain or improve the City's maintenance level effort. The ideal assessment levels are represented below:

RECOMMENDED INCREASES

North/East M.D.			Harden Ranch M.D.	
24% increase = \$155 (\$97*) per home			50% increase = \$110 per home	
F.Y.	Proposed Revenues	Proposed Expenditures	Proposed Revenues	Proposed Expenditures
Jun-06	\$550,000.00	\$500,000.00	\$220,000.00	\$200,000.00
Jun-07	\$563,750.00	\$512,500.00	\$225,500.00	\$205,000.00
Jun-08	\$577,843.75	\$525,312.50	\$231,137.50	\$210,125.00
Jun-09	\$592,289.84	\$538,445.31	\$236,915.94	\$215,378.13
Jun-10	\$607,097.09	\$551,906.45	\$242,838.84	\$220,762.58
*medium density homes				

Increasing the assessments in the North/East M.D. by 24% would generate \$550,000 of revenue and with a proposed budget of \$500,000 would provide a reserve fund equaling 10% (or \$50,000). This increase would cause the individual annual assessments from \$127 for low-density homes (\$80/medium density) to \$155 per low-density home or \$97 per medium-density homes and much less for apartments and condominiums. For a low-density home, the monthly cost would be \$12.92.

Increasing the assessments in the Harden Ranch M.D. by 50% would generate \$220,000 of revenue and with a proposed budget of \$200,000 would provide a reserve of \$20,000, or 10% of the projected maintenance cost. This proposed increase would cause the annual assessments per home to increase from \$76 to \$110 per home, or \$9.17 per month. Keep in mind the failure of the last election has kept the assessments for this district at the current rate since 1998.

THE ISSUE

Shall the City Council adopt the necessary resolutions in order to reassess the properties within the six subject maintenance districts?

ALTERNATIVES AVAILABLE TO COUNCIL

Council may:

1. Adopt the necessary resolutions in order to set public hearings for the purpose of levying an annual assessment of the properties within the six maintenance districts. This will allow the City to generate the funds needed to maintain the specified public improvements within the six districts; or
2. Not adopt the resolutions. This would leave the City without the necessary funding to maintain the specified public improvements within each district at their present level of maintenance.
3. Also consider directing staff to proceed with preparing a ballot measure or a survey for each district needing assessment increases.

CONCLUSION AND RECOMMENDATION

Council is requested to adopt the following resolutions for each maintenance district:

1. A Resolution ordering the Public Works Director to prepare and file an annual Engineer's Report for each district; and
2. A Resolution of Intention ordering the annual levy of assessments and setting a public hearing for July 13, 2004 for each district.

It is also suggested that the City Council authorize staff to proceed in preparing a survey to increase assessments for each district needing assessment increases, more specifically the Harden Ranch, the Downtown Mall, and the North/East Maintenance Districts. It is not recommended that ballots be sent out to the property owners of the Airport Maintenance District as the landscaping infrastructure in that district is beyond normal maintenance and should be replaced. To accomplish this, an Assessment District needs to be established to replace the existing deteriorated landscaping.

Approval of the Vista Nueva rebate should be considered at the public hearing.

Distribution:

All Departments
City Manager
City Attorney
Deputy City Manager

Back Up Pages:

Resolutions initiating proceedings for each district
Resolutions of Intention to levy annual assessments for each district
Resolutions preliminarily approving the annual Engineer's Reports for each district
Diagrams/Maps for each district

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